

Message Text

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21

ACTION EUR-12

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E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: XCSS: INTERNATIONAL CAPITAL MOVEMENTS

REF: (A) CE(74)4

1. SUMMARY. LIMITED XCSS DISCUSSION THIS TOPIC REVEALED SUBSTANTIAL DIFFERENCES OF OPINION CONCERNING EXTENT TO WHICH MOBILE CAPITAL FLOWS MIGHT AFFECT NATIONAL ECONOMIES OR EXISTING FINANCIAL INSTITUTIONAL ARRANGEMENTS. NO CONCLUSIONS REACHED. END SUMMARY.

2. SEVERAL LARGER COUNTRIES (FRANCE, GERMANY) EMPHASIZED TRADITIONAL ECONOMIC DETERMINANTS OF CAPITAL MOVEMENTS STILL IMPORTANT EVEN IN FACE OF LARGE BUILDUP OF LIQUID OIL-COUNTRY FUNDS. PRESENT PROBLEM MAINLY ONE OF COUNTRY DISTRIBUTION OF FINANCIAL BACKFLOWS FROM OIL COUNTRIES. SOME SMALLER COUNTRIES CAST STRONG DOUBT ON CONTINUING APPROPRIATENESS OF PRINCIPLE OF FREEDOM FOR CAPITAL MOVEMENTS UNDER PRESENT CONDITIONS, FAVORING USE OF CONTROLS AND INCENTIVES/DISINCENTIVES TO ACHIEVE LIMITED OFFICIAL USE

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EQUILIBRIUM INTERNALLY AND EXTERNALLY. FRENCH DEL

SUPPORTED IDEA THAT EVEN FOR TRADITIONAL CAPITAL MOVEMENTS, CONTROLS ARE SOMETIMES NECESSARY. ON OTHER HAND, GERMAN DEL MADE STRONG REPRESENTATION THAT CONTROLS DO NOT GENERALLY ACHIEVE DESIRED RESULTS AND SHOULD BE AVOIDED.

3. DISCUSSION SHOWED SOME SUPPORT FOR CONCLUSION PARA 8, ADDENDUM 1 (REF A) THAT POSSIBILITY OF LARGE OPEC INVESTMENTS CONCENTRATING ON PARTICULAR OECD COUNTRIES NEEDED TO BE KEPT UNDER REVIEW AND MIGHT, AT SOME FUTURE TIME, REQUIRE ACTION. GIVEN DIVERSITY OF VIEWS EXPRESSED AND EVIDENT LACK OF INTEREST FOR PURSUING QUESTION FURTHER IN XCSS, US DEL WITHHELD COMMENT AND CHAIRMAN DID NOT ATTEMPT TO SUMMARIZE RESULTS OF DISCUSSION.
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